

Photographers, film makers, and other servicemen are subject to Retailers' Occupation Tax on the photoprocessing component of their total service charge when they sell products of photoprocessing. See 86 Ill. Adm. Code 130.2000. (This is a GIL).

November 13, 2001

Dear Xxxxx:

This letter is in response to your letter dated October 22, 2001. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120 subsections (b) and (c), which can be found at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your letter, you have stated and made inquiry as follows:

As I recall, when I worked in a photo processing laboratory some 20 or 25 years ago, we had a copy of a letter from either the State Treasurer or the director of the Department of Revenue. The letter stated that if the laboratory paid the Illinois sales tax on the materials it used (paper, chemicals, slide mounts, movie reels, etc.) then the ultimate customer of the finished product would bear no liability for the sales tax, since the balance of the cost would be service. I'm thinking of the parallel with barber shops and dry cleaners.

Does this principle still apply? If so, could I have a copy of a letter so stating?

The method of taxing sales of the products of photoprocessing changed effective September 1, 1988. Please find enclosed a copy of 86 Ill. Adm. Code 130.2000 concerning Persons Engaged in the Printing, Graphic Arts or Related Occupations, and Their Suppliers. As you can see at Section 130.2000(b)(3), photographers, film makers, and other servicemen are subject to Retailers' Occupation Tax on the photoprocessing component of their total service charge when they sell products of photoprocessing. The tax on the photoprocessing component will apply regardless of whether the photographer performs the photoprocessing in-house or engages a third-party photoprocessor. Such products of photoprocessing include prints, photographic reproductions, and microfilm.

In transactions in which products of photoprocessing are sold in conjunction with other services, if a charge for the photoprocessing component is not separately stated, tax is imposed on 50% of the entire selling price unless the sale is made by a professional photographer, in which case tax shall be imposed on 10% of the entire selling price of the products of photoprocessing.

Machinery and equipment that are used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease are exempt from Retailers' Occupation Tax. See the enclosed copy of 86 Ill. Adm. Code 130.330. The manufacturing process is the production of any article of tangible personal property, whether such article is a finished product or an article for use in the process of manufacturing or assembling a different article of tangible personal

property, by procedures commonly regarded as manufacturing, processing, fabricating, or refining which changes some existing material or materials into a material with a different form, use, or name. The changes must result from the process in question and be substantial and significant. The manufacturing machinery and equipment exemption also extends to repair and replacement parts as long as the parts are incorporated into machinery and equipment that are exempt under the regulation. Supplies such as consumables, do not qualify for the exemption. See Section 130.330(c)(3).

Manufacturing includes photoprocessing if the products of photoprocessing are sold. Machinery and equipment which would qualify for exemption include, but are not limited to, developers, dryers, enlargers, mounting machines, roll film splicers, film developing image makers, etc. See Section 130.330(b)(9). The exemption does not extend to cameras and equipment to take pictures or expose film.

Tax is due on supplies that you use or consume in the photoprocessing processes. This would include, for example, chemicals, film and the paper for prints that are developed but not sold. Those items that are transferred to customers (e.g. paper) can be purchased tax-free as sales for resale. See enclosed copy of Section 130.1405 for the requirements of Certificates of Resale.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Martha P. Mote
Associate Counsel

MPM:msk
Enc.